

The Tennessee TOOL KIT

A GUIDE TO PROGRAMS AIMED AT HELPING COMMUNITIES CREATE
HIGHER SKILLED, BETTER PAYING JOBS.



Dear friends,

I hope you find this Tennessee Tool Kit a useful, comprehensive look at the programs and incentives Tennessee offers to create higher skilled, better paying jobs in all our communities.

Since I became governor in 2003, we've strategically reviewed each of our incentive offerings annually to make sure Tennessee is competing effectively with other states and other nations. As an entrepreneur, I know that maintaining the status quo is not good enough. That's why we've made more changes to our state's incentives in the past five years than in the previous two decades combined. With each change, we've kept several principles in mind:

Reduce red tape – My first executive order created the Jobs Cabinet to reduce red tape and bureaucratic turf battles and to give companies a single point of contact on projects. We also created the FastTrack program with a mandate of responding to a company's request for job training assistance within 72 hours.

One size does NOT fit all – Each company is unique, with a distinctive competitive environment and business needs which may not apply to everyone. That's why we've established a multi-tiered approach to Jobs Tax Credits and we're giving our Commissioner of Economic and Community Development broad latitude to partner with communities in creating jobs.

Job creation is a partnership – Job creation is a shared responsibility between the state and the local community. That's why we're helping communities create strategic plans and the infrastructure for economic development, then partnering with them to successfully execute job creation strategies.

Look to the future – We're investing in broadband expansion and creating tax credits for emerging industries. We're also investing in education to create a ready workforce for the jobs of tomorrow.

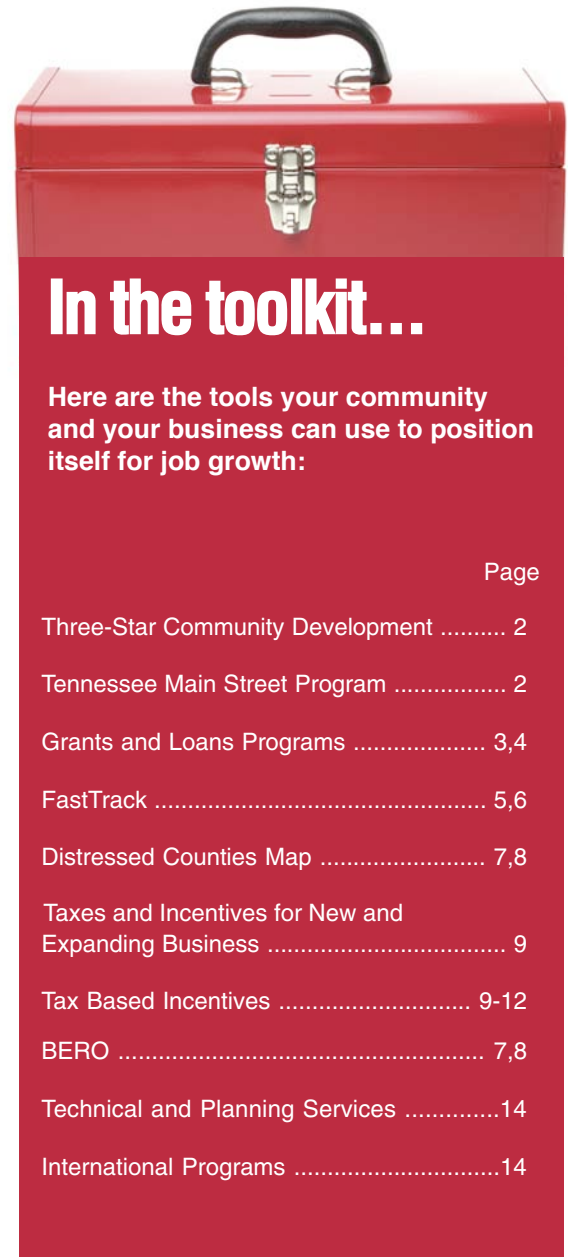
I hope you'll also take time to learn more about the Rural Opportunity Initiative or ROI detailed in this guide. It's a new program designed to focus enhanced incentives on rural communities where job creation is a significant challenge. Our goal is to ensure all Tennesseans share in the amazing economic success our state has enjoyed.

I look forward to working with you to create new jobs and take our state's economy to the next level. Working together, I know we can succeed.

Warmest regards,



Phil Bredesen
Governor



Three Star Community Development Certification

One of the best known programs for Tennessee communities is the Three Star Community Development certification program. More than 80% of Tennessee's counties either take part in or have communities who take part in the Three Star process. Three Star certification means a community has done the basic planning necessary to prepare for economic development and has taken steps to attract new jobs and investment.



By participating in the Three Star program, communities can receive discounts to the matching funds required in order to apply for many ECD grant programs. Since January 2003, Three Star communities have saved over \$1 million dollars in matching funds requirements.

To participate in Three Star, communities should take the following steps:

1. Review the Three Star application criteria with an ECD specialist.
2. Develop and submit to ECD a five-year, strategic plan outlining steps to meet the program requirements.
3. Local elected body reviews and approves the strategic plan and it is submitted to ECD for evaluation. At this stage changes may be requested.
4. ECD evaluation team makes an approval recommendation to the Governor.
5. The Governor approves and formally presents Three Star certification to community.

To learn more about the Three Star program, download the program's requirements at www.tnecd.gov/pdf/3Star_07.pdf or contact ECD's Community Development team at (615) 741-2373.

The Tennessee Main Street Program

Tennessee Main Street Program is a comprehensive revitalization program designed to promote the historic and economic redevelopment of traditional business districts in Tennessee. It serves as a coordinating partner with the National Main Street Center, a program of the National Trust for Historic Preservation.



To learn more, go to www.tnecd.gov/comdev_mainstreet.htm or contact ECD's Community Development team at (615) 741-2373.

The Tennessee Main Street Program can help your community:

- Develop strategies for long-term revitalization of your community's traditional business district, focusing on community development through the context of historic preservation.
- Provide limited technical assistance to non-certified Main Street communities pursuing the development of a downtown revitalization program.
- To identify and communicate to community leaders about state, local and federal agencies with resources to assist in downtown revitalization. Understand the comprehensive "step by step" process in which communities are selected to become certified Tennessee Main Street Programs.

Retire Tennessee

For some Tennessee communities, the best way to promote growth while still retaining a quiet, slow-paced quality of life is through attracting newly retired residents. The state of Tennessee has selected nine communities in which to launch Retire Tennessee, a community marketing program aimed at branding



Tennessee as a retirement destination. The pilot programs are already underway in Hardin, Henry, Cumberland, Lawrence, Marshall, Putnam, Greene, Hamilton and Sullivan counties. Remaining Tennessee communities can also find assistance in making Retire Tennessee part of their Three Star certification program.



For more information, go to www.retiretennessee.org or call (731) 423-5771.

Grants and Loan Programs

ECD is the administrator of a number of federal and regional grant and loan programs designed to benefit communities and enhance economic prosperity. These programs include:

• Community Development Block Grant Program (CDBG)

Federal dollars are available to communities with a population of less than 50,000 residents for the purpose of attracting new or expanding companies, as long as the projects align with one of three national objectives:

1. Principally benefit low and/or moderate income people.
2. Eliminate or prevent slums and/or blight.
3. Address imminent health and/or safety problems.

CDBG grants are administered as part of two primary programs:

- Economic Development, which includes grants for industrial infrastructure as well as loans for industrial buildings and equipment.
- Community Development, which includes grants for water and wastewater treatment facilities, housing rehabilitation and projects aimed at improving community livability.

• Appalachian Regional Commission (ARC)

ECD allocates each year a series of grants aligning with the objectives of the ARC, a federal-state partnership aimed at creating self-sustaining economic development and improved quality of life for the people of the Appalachian Mountain region. The ARC was designed primarily to benefit a region in the states of Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia. The grants fall into four categories: highway, non-highway, development district and regional initiative.

Grants funds may be used to construct or improve:

- Infrastructure projects, like water, waste water, roads and rail projects aimed at securing new jobs or retaining existing jobs.
- Job training programs.
- Development of basic skills in the areas of reading, writing, computation and computer literacy.
- Housing.
- Multi-jurisdictional programs creating demonstration projects aimed at enterprise development.

• Delta Regional Authority (DRA)

The Delta Regional Authority (DRA) is a federal-state partnership which strives to improve the lives of people living in the delta region of the Mississippi River Valley. ECD allocates a number of annual grants aligning with the DRA's objectives. The DRA is focused primarily on the states of Missouri, Illinois, Kentucky, Tennessee, Mississippi, Alabama, Louisiana and Arkansas. Funds may be used for infrastructure improvement projects which aid job creation projects.

Tennessee counties eligible for **DRA grants** include:

Benton	Gibson	Lauderdale
Carroll	Hardeman	parts of Madison
Chester	Hardin	McNairy
Crockett	Haywood	Obion
Decatur	Henderson	Shelby
Dyer	Henry	Tipton
Fayette	Lake	Weakley

In Tennessee, 50 counties are eligible to qualify for **ARC grants**:

Anderson	Clay	Jackson	Putnam
Bledsoe	Cocke	Jefferson	Rhea
Blount	Coffee	Johnson	Roane
Bradley	Cumberland	Knox	Scott
	De Kalb	Loudon	Sequatchie
	Fentress	McMinn	Sevier
	Franklin	Macon	Smith
	Grainger	Marion	Sullivan
	Greene	Meigs	Unicoi
	Grundy	Monroe	Union
	Hamblen	Morgan	Van Buren
Campbell	Hamilton	Overton	Warren
Cannon	Hancock	Pickett	Washington
Carter	Hawkins	Polk	White
Claiborne			



• **Feedstock Processing Demonstration Loans**

Administered by ECD and the Tennessee Department of Agriculture, the aim of this program is to spur investment in agricultural feedstock processing facilities across the state, primarily to ensure that Tennessee-grown soybeans are utilized in the production of biodiesel fuel. The program is open to new applications as existing loans are repaid.

• **Private Activity Bonds**

ECD manages the federally mandated limit on the amount of bonds that can be issued through local industrial development boards, the Tennessee Housing Development Agency and for student loans. The limit is set each year by the Internal Revenue Service.

• **Local Government Energy Efficiency Loan Program**

ECD offers low interest loans to municipal and county governments to fund energy related improvements to courthouses, administration buildings, schools, maintenance facilities and other buildings owned by local government. Even if a local government doesn't apply for the loan program, the Energy Division will arrange for an energy audit to provide technical assistance to communities interested in lowering their energy costs. The loan maximum for each community is \$500,000 dollars annually, interest rates are 0% for Three Star certified communities, 3% for all others with loans amortized over 7 years.

• **Tennessee Small Business Energy Loan Program**

Companies with fewer than 300 employees or less than \$3.5 million in annual gross sales are eligible to apply for low interest loans of up to \$300,000 dollars to upgrade energy efficiency in buildings and plants and to improve the efficiency of manufacturing processes. Steps companies can take in an effort to lower energy costs include: installing insulation, double pane windows, energy efficient heating and cooling systems and energy efficient lighting. ECD can also arrange for energy audits of qualifying businesses.

• **Biodiesel Infrastructure Grants**

ECD offers each county one grant to defray the cost of installing biodiesel fuel tanks, pumping equipment and card readers. Local communities can reduce fuel costs by utilizing biodiesel in school buses, maintenance vehicles, heavy equipment or any other vehicle powered by diesel fuel. Biodiesel fuel produces less pollutants and can be used in existing diesel powered vehicles without the cost of retrofitting. Local matching funds are required to qualify, but can take the form of land, equipment and/or labor.

• **Tennessee Clean Energy Technology Grant Program (TN-CET)**

ECD offers grants to offset the cost of businesses installing clean energy technology such as solar systems, solar electric generating equipment, wind energy systems, solar thermal systems, hydrogen fuel cells and hybrid solar lighting. The maximum available grant amount is 40% of the installed system cost up to \$75,000 dollars. Grant dollars are allocated on a "reimbursement basis" only and a contractor's design and installation proposal must be submitted with the application.

• **Tennessee Energy Education Network (TEEN)**

This award winning program develops, distributes and implements energy conservation educational programs to K-12 public schools across the state. The program conducts in-service training for teachers and distributes educational materials to participating schools in addition to a bi-monthly newsletter. TEEN's annual educational design competition for school children has been recognized nationally for raising awareness among students regarding the need for energy conservation.

• **Main Street Lighting Program**

ECD can provide matching grants to communities to assist them with the purchase and installation of energy efficient outdoor lighting in their main business districts. The program provides 50% matching funds of no more than \$20,000 dollars for each project. Local matching contribution may be in-kind. Applicants must undergo an energy audit and may receive reimbursement upon project completion.

For more information about available grants and loans, contact ECD at (615) 741-6201. Visit www.state.tn.us/ecd/energy for additional information about energy-related programs.

FastTrack

Arguably, Tennessee's most utilized tools to assist communities in attracting new jobs, FastTrack focuses on assisting companies in the training of new employees and assisting communities in the development of public infrastructure which assists companies in their expansion or relocation. Taken together, these programs are known as FastTrack. Along with the Tennessee Job Skills program, FastTrack streamlines and speeds the process and reduces the cost for companies seeking to create jobs.



• FastTrack Job Training Assistance (FJTAP)

This incentive is available to both new and expanding industries and begins with a company developing a training plan including the number of people to be hired, types of skills required and types of training needed. The plan is developed in conjunction with the FastTrack staff and is designed to be tailored and flexible. Companies will track costs associated with implementation of the training program, then submit to the state for reimbursement.

More information about FJTAP can be obtained by calling (615) 741-6201.



Training may include:

- Classroom instruction.
- On-the-job training.
- Vendor training from the manufacturer of a piece of industrial equipment.
- System support for certain types of plant-wide or company-wide applications.
- Development and coordination of instructional materials and training programs.
- Travel related to training.

• Job Based Training Reimbursement (JBT)

A potentially faster program for reimbursement of training costs, companies may seek reimbursement from the state of Tennessee once a job creation commitment and cost-per-job is established.

More information about JBT can be obtained by calling (615) 741-6201.



In order to qualify, companies must work with ECD to reach a contractual agreement which determines:

- The cost per job and the total commitment of jobs.
- Once agreed upon with ECD, companies can seek reimbursement of 50% of the cost per job within the first 90 days after the job is created. The remaining 50% can be claimed 180 days after the job is created.
- The company must agree to provide documentation including the number of jobs created and the wages paid for each job.
- Multi-year contracts between a company and ECD can be reached to accommodate multi-year job creation projects.
- If the total commitment of jobs is reached, companies may seek the entire training reimbursement allocation through JBT.

• Tennessee Job Skills (TJS)

This program is similar to FJTAP, but with a focus on employers and industries which create high skill, high wage jobs in emerging, high-demand and technology focused sectors of the economy. Training staff will work with companies to develop a unique, flexible and comprehensive training plan that meets the company's initial training needs and will then follow up

to ensure each phase of the program aligns with the company's goals. Companies track costs and apply to the state for reimbursement. Reimbursement rates depend on the level of training and the types of instructors utilized.

More information about TJS can be obtained by calling (615) 741-6201.



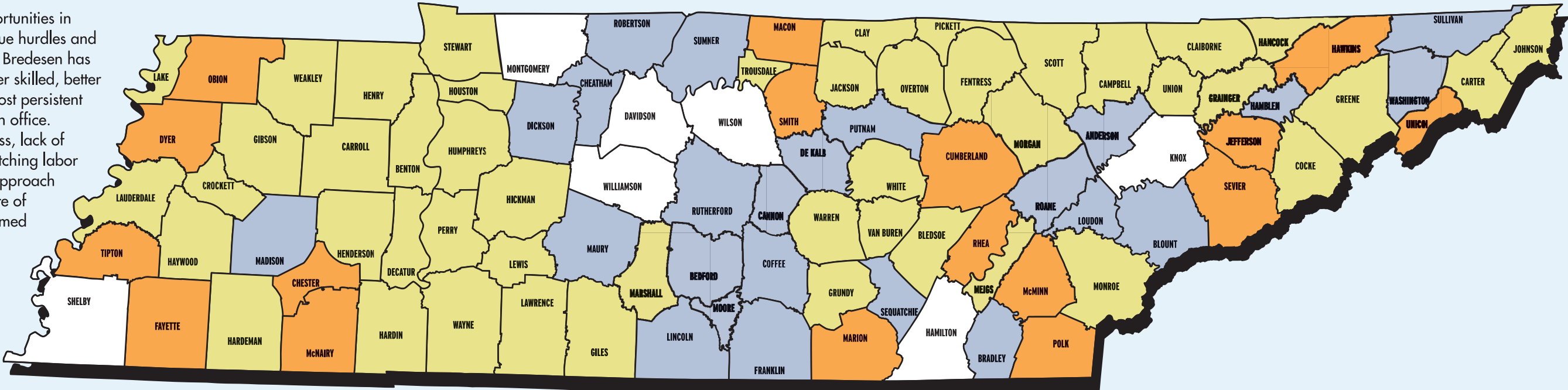
A Stronger Economy Across Tennessee

RURAL OPPORTUNITY INITIATIVE

Tennessee’s focus on creating job opportunities in rural areas of Tennessee presents unique hurdles and yet tremendous opportunity. Governor Bredesen has called providing broad access to higher skilled, better paying jobs in Tennessee one of the most persistent challenges he’s faced during his time in office. Whether because of limited road access, lack of public infrastructure or difficulty in matching labor skills to job requirements, a different approach is needed. That’s why in 2006, the state of Tennessee launched a new initiative aimed at addressing this challenge called the Rural Opportunity Initiative or ROI.

For some Tennessee counties in the economically distressed category, Tennessee law gives the Commissioner of Revenue and the Commissioner of Economic and Community Development the option to utilize the Jobs Tax Credit with enhanced tax credits. This credit can offset up to 100% of the company’s total F&E tax liability. Based on analysis by the University of Tennessee, these economically distressed counties have been organized into three tiers taking into account per capita income, levels of poverty and historical unemployment.

By building strong partnerships around ROI, the return on Tennessee’s investment will be stronger communities, more vibrant local economies and better lives for our citizens.



	Non-economically distressed: \$2,000 jobs tax credit with 15-year carry forward.
	Tier 1: \$4,500 jobs tax credit with 15-year carry forward.
	Tier 2: \$4,500 jobs tax credit with 15-year carry forward plus additional 3 years at \$4,500 per year with no carry forward.
	Tier 3: \$4,500 jobs tax credit with 15-year carry forward plus additional 5 years at \$4,500 per year with no carry forward.

NOTE: Jobs Tax Credit may be applied against company’s TN Franchise and/or Excise Tax Liability.

• Applicant Recruitment and Screening

Utilizing the company's job specifications, the Tennessee Department of Labor and Workforce Development will recruit and screen job applicants through the department's Job Service Division. Those applicants meeting the company's criteria will be forwarded to the company for hiring consideration.

The Tennessee Department of Labor and Workforce Development also provides:

- Leadership training for supervisors, team leaders and managers on interpersonal skills required to motivate employees.
- Team training where interpersonal communication is essential between supervisors and team members.
- Instructor certification based on a company's specific requirements.

• FastTrack Infrastructure Development Program (FIDP)

In order to qualify for this program, local communities must apply to ECD with a goal of improving public infrastructure in order to create new jobs and business investment. Applications must be for specific projects and must be tied to a company commitment to create or retain a defined number of jobs. Qualifying projects must involve companies engaging in manufacturing or other

economic activities beneficial to the state of Tennessee. Companies for whom more than 50% of the product or service is involved in the manufacture of products for export are also eligible. FIDP grants require local community matching funds calculated along a varying scale based on a community's ability to pay.

FastTrack Infrastructure Development funds can be utilized to build:

- Water systems, including intake structures, treatment plants, storage tanks, transmission lines or other structures associated with public water service.
- Wastewater systems, including collector lines, treatment plants and other structures associated with public wastewater treatment services.
- Transportation systems, including industrial access roads, rail sidings, port facilities, airport improvements and other public transportation infrastructure.
- Site improvements, including grading, infilling, leveling or other extraordinary situations in which the physical conditions of a site must be altered in order to allow capital investment for job creation.
- Technology systems, including the extension of broadband or high speed data transmission lines necessary for companies to conduct business.
- Other improvements to the physical infrastructure of a site may be considered if communities can demonstrate such improvements are required for the location or expansion of a business which creates jobs.

FastTrack Infrastructure Development funds CAN help BEFORE a project is underway:

FIDP funds MAY be utilized by communities to construct public infrastructure to community-owned speculative buildings and to speculative industrial areas and industrial parks. To qualify, a community must be located in a Tier 1, Tier 2 or Tier 3 Economically Distressed County (*see map, pages 7-8*).

- Communities seeking technical expertise on transportation improvements designed to facilitate business investment and job recruitment may also qualify for the State Industrial Access Program (SIAP). Communities may submit multiple designs for an industrial project to engineers with the Tennessee Department of Transportation for comment on feasibility.
- ECD will also provide counseling to communities seeking to obtain Industrial Revenue Bond financing in either a taxable or tax free scenario.

More information about FIDP can be found at www.tnecd.gov/progman_tiip.htm or by calling (615) 741-6201.

Taxes and Incentives for New and Expanding Business

Tennessee has long been considered a state with one of the most business friendly economic climates in the nation. Twice ranked as one of the five best states in the nation to locate a business by *Site Selection* magazine, Tennessee has the third lowest combined state and local tax burden for businesses in the country. In 2006, *Forbes* magazine ranked Tennessee the 20th best state to locate a business and in 2007, Tennessee was rated 13th in the same ranking, the largest single improvement of any state in the nation.

Tennessee does not have an income tax on personal wages nor a state property tax.

Franchise Tax

- Tax on the greater of net worth or book value of property owned or used in Tennessee.
- Tax rate is 25¢ per \$100.
- Finished goods inventory in excess of \$30 million may be excluded.
- Pollution Control Equipment is exempt.
- Property under construction and not being utilized is not included.
- Property rented from the industrial development corporation may be valued by capitalizing it on the books.

Excise Tax

- Tax is based on the net earnings of the company derived from doing business in Tennessee.
- Tax rate is 6.5%
- No throwback provision – sales outside of Tennessee are not taxed.
- Receive 1% tax credit for the purchase of qualified equipment associated with the required capital investment by a distribution or warehouse facility.
- All capital losses are claimed in the year incurred.
- Net operating losses can be carried forward for 15 years.

Sales and Use Tax

- 7% state sales tax plus the applicable local rate (2.25% - 2.75%) on any person or company who manufactures, distributes or sells tangible personal property within the state.

No sales tax is levied on:

- Purchases, installation and repairs of qualified industrial machinery.
- Raw materials for processing.
- Pollution control equipment for manufacturers.
- Reduced sales tax rates for manufacturers' use of energy fuel and water (1.5% vs. 7%).
- Qualified industrial supplies.
- Items purchased for resale.
- Containers, packaging and wrapping materials.
- Additional exemptions or credits may be available.



Tax-Based Incentives

• Jobs Tax Credit

Tennessee allows “qualified business enterprises” a credit against their franchise and excise taxes based on their capital investment and the number of jobs created. The amount of the credit and the period of time during which it can be used varies according to the size of the investment.

- A company investing \$500,000 dollars and creating 25 new jobs can claim a \$2,000 dollar credit against their F&E taxes over a period of 15 years.
- If the company locates in an economically distressed county (see map, pages 7-8), the Jobs Tax Credit increases to \$4,500 dollars per job with a 15 year carry-forward.
- The company can qualify for a \$4,500 Jobs Tax Credit if it invests \$20 million dollars in capital and creates a minimum of 1,000 jobs in a federally designated empowerment zone. Currently, Tennessee's only federally designated empowerment zone is in Knoxville, Tenn.
- The percentage of tax liability companies are able to offset ranges from 33.33% to 100% based on the number of jobs created, ranging from 1,000 to 5,000 or more.

• Jobs Tax Credit (continued)

For example, in Shelby, Davidson, Montgomery, Wilson, Williamson, Knox, Hamilton @ \$2,000 per job:

Jobs Created	Amount of Credit	Percentage Offset
25	\$50,000	33.33%
100	\$200,000	33.33%
500	\$1,000,000	33.33%
999	\$1,998,000	33.33%
1,000	\$2,000,000	50.00%

For example, in all other Tennessee counties @ \$4,500 per job:

Jobs Created	Amount of Credit	Percentage Offset
25	\$112,500	33.33%
100	\$450,000	33.33%
500	\$2,250,000	33.33%
999	\$4,495,500	33.33%
1,000	\$4,500,000	50.00%

State law gives the Commissioner of Revenue and the Commissioner of Economic and Community Development broad latitude to extend the offset percentage to 100% for headquarters, warehouse and distribution facilities.

Qualified business enterprises can include:

- Manufacturing
- Warehousing and distribution
- Processing tangible personal property
- Research and development
- Computer services
- Call centers
- Headquarters facilities
- Convention or trade show facilities
- Repair service facilities for aircraft owned by unrelated commercial, foreign or government persons

• Jobs Tax Super Credit

For larger, more capital intensive investments, Tennessee has created a Super Credit which applies to those companies investing capital of \$100 million dollars or more and creating a minimum of 100 jobs paying at least 100% of Tennessee's average occupational wage. These credits can be used to offset up to 100% of the companies F&E tax liability, but must be taken in the first tax year after the job creation and capital investment thresholds have been met and can be taken annually. The Super

Credit does not include carry-forward provisions and is available in addition to Jobs Tax Credits.

The Super Credit allows companies to exempt 2/3rds of the required capital investment on Schedule G of the company's franchise and excise tax return during the period in which the investment is being made. Investments must be made during a 3 year period, but can be extended to 5 years at the discretion of the Commissioner of Economic and Community Development.

Super Credits are available at the following levels:

Capital Investment	Jobs Created	Size of Credit per job, per year	Years Available
\$100 million	100	\$5,000	3
\$250 million	250	\$5,000	6
\$500 million	500	\$5,000	12
\$1 billion*	1,000	\$5,000	20

* Projects qualifying in this category must create jobs paying 150% of the state's average occupational wage.

• Industrial Machinery Tax Credit

For capital investments in industrial machinery, Tennessee offers manufacturers a tax credit offsetting up to 50% of F&E tax liability. To qualify for this credit, companies are not required to create new jobs. The credit applies to the purchase, installation and repair of industrial machinery as defined in T.C.A. 67-6-102. The credit also applies to the purchase and installation of computer and telephone equipment purchased in order to meet the capital investment thresholds of the Jobs Tax Credit.

This credit has a 15 year carry-forward.

Capital Investment	Percentage of Credit
Less than \$100,000,000	1%
\$100,000,000	3%
\$250,000,000	5%
\$500,000,000	7%
\$1,000,000,000	10%

• Headquarters Tax Credit

In order to encourage companies to locate their corporate headquarters in Tennessee, the state offers tax credits based on the cost of relocating the company and building a new headquarters facility in Tennessee.



- With a capital investment of \$50 million dollars or more, the company may qualify for a credit of 6.5% against sales and use taxes incurred on the purchase of building materials, machinery or equipment used in a new regional, national or international headquarters.
- A project involving a capital investment of \$10 million dollars or more and creating 100 jobs paying 150% of the state's average occupational wage may qualify for a credit of 6.5% against sales and use taxes incurred on the purchase of building materials, machinery or equipment used in a new regional, national or international headquarters.
- Companies qualifying for the sales and use tax credit may also qualify for credits against their F&E tax liability based on the amount of qualified relocation expenses incurred in the establishment of a headquarters facility.
- Companies with a regional, national or international headquarters facility in Tennessee may (with approval from the Commissioner of Revenue and the Commissioner of Economic and Community Development) convert unused net operating losses (NOL) to a credit against F&E tax liability.
- The NOL credit is available only if the company is unable to use the NOL to offset net income during the current tax year.
- Credits for the cost of relocating jobs paying at least 150% of Tennessee's average occupational wage are available on a tiered schedule as follows:

Jobs Created	Tax Credit per Job
100-250 jobs	\$10,000
250-500 jobs	\$20,000
500-750 jobs	\$30,000
1,000+ jobs*	\$50,000

* Requires capital investment of at least \$1 billion dollars.

• Emerging Industry Tax Credits

Tennessee law gives the Commissioner of Revenue and the Commissioner of Economic and Community Development broad latitude in classifying certain projects as part of an emerging industry. If companies can demonstrate a strong growth potential and commit to creating jobs which pay above the county's average occupational wage, the state may waive the threshold of 25 new jobs created in order to qualify for the Jobs Tax Credit.



• Data Center Tax Credit

Companies may obtain tax credits for the purchase of materials related to the construction of a data center, which is defined as a building or buildings housing high technology computer systems and related equipment if they create 25 new jobs paying at least 150% of the state's average occupational wage and invest a minimum of \$250 million dollars in capital.

- The purchase of computers, computer systems and repair parts used in qualified data centers are exempt from sales and use taxes (these purchases are classified as industrial machinery).
- Qualified data centers will also pay reduced sales taxes on the purchase of electricity (1.5% vs. the previous rate of 7%).
- The purchase of computers, computer systems and repair parts for a qualified data center allows companies to qualify for a 1% tax offset of F&E liability under the Industrial Machinery Tax Credit.
- If the investment exceeds \$100 million dollars, the tax credit equals 3%.
- If the investment exceeds \$250 million dollars, the tax credit equals 5%.

• Pollution Control Equipment

If a Tennessee company obtains a certificate from the Tennessee Department of Environment and Conservation certifying that their purchase of pollution control equipment is required by federal, state or local law and the equipment is used for the control, reduction or elimination of water pollution, air pollution or in the treatment of hazardous waste, the equipment will be

taxed at salvage value for the purposes of calculating tangible personal property tax. The certification will also allow the purchase of the equipment to be exempt from sales and use tax and will exclude the equipment from the calculation of the companies' franchise tax base.

• Daycare Facility Tax Credit

In order to encourage the construction of daycare facilities, the state of Tennessee offers companies a tax credit against their F&E tax liability equal to the cost of 25% of the construction of a facility with a cost not to exceed \$100,000 dollars per facility and a tax credit not to exceed \$25,000 dollars per facility.

To find out if your job creation project qualifies for tax credits in Tennessee, call ECD's Business Development division toll-free at (877) 768-6374.

SMALL BUSINESS PARTNERS

Business Enterprise Resource Office

The Tennessee Business Enterprise Resource Office or BERO (pronounced BEE-row) provides technical, financial and business plan development advice for small, minority-owned and woman-owned businesses. BERO's goal is for constituent companies to become financially stable and make the transition from single entrepreneur operations to growing businesses. BERO works closely with the Governor's Office of Diversity Business Enterprise (GO-DBE).

BERO's staff includes an expert in small manufacturing development whose goal is to foster business-to-business networking between large and small companies, and who maintains a manufacturers resource directory with links to trade associations, government agencies and community organizations.

BERO can assist companies with:

- Technical assistance, such as obtaining a business license, developing a business plan, exploring financial assistance or expansion assistance, as well as other special needs.
- Assisting with procurement opportunities, engaging in business matchmaking fairs and advice on making contacts with corporate buyers.
- Driving manufacturing initiatives and providing links to resources for expansion.
- Creating export opportunities and connecting companies to international market data as well as export resources at the local and federal levels.

For more information about this program, contact BERO at 1-800-872-7201.

• The ECD-BERO Micro Loan Fund

This program is designed to encourage job creation and provide access to capital to existing and potential entrepreneurs to support their growth and expansion. Start-up financing for the ECD-BERO Micro Loan Fund was secured from the USDA Rural Development rural business enterprise grant (RBEG) program. Micro loan funds of \$500-\$5,000 are available for use by entrepreneurs living and operating a business in rural Tennessee. A micro-enterprise is defined as a for-profit entity with five or fewer employees, one of whom owns the business. Fixed assets and working capital loans are accepted and the maximum loan amount is \$5,000. Technical assistance and training are available for the duration of the loan.



To contact BERO, go to www.tnecd.gov/bizserv_minority.htm or call (615) 741-2626.

COMMUNITY PARTNERS

Technical and Planning Services

ECD provides planning services and technical assistance to communities on a contract basis. From regional offices in Chattanooga, Cookeville, Jackson, Johnson City, Knoxville and Nashville, professional land use planners can help communities with planning, zoning and other advisory services.

To learn more visit our web site at www.state.tn.us/ecd/locplan.htm or contact ECD's Local Planning Assistance Office at (615) 741-2211.

ECD can also provide communities with assistance in seeking to qualify for the National Flood Insurance Program (NFIP) which allows homeowners to qualify for flood insurance if their community adopts flood plain management regulations.

ECD's Local Planning Assistance office can:

- Provide help drafting ordinances.
- Train community officials on flood plain management.
- Provide site reviews to communities.
- Provide resources to codes administrators, surveyors, engineers, lenders, insurance agents, realtors, developers and property owners.
- Provide mapping services.



To learn more about the NFIP or to find help, visit www.state.tn.us/ecd/locplan.htm or call (423) 434-6476.

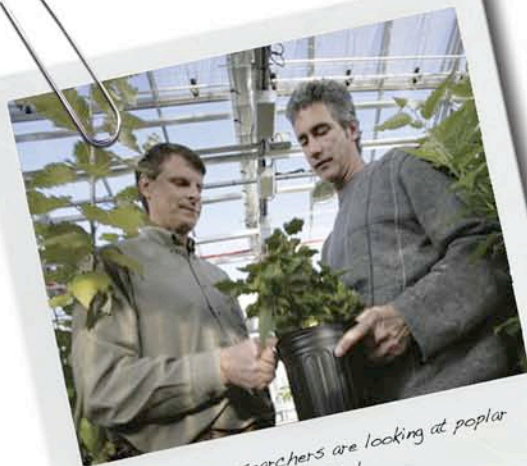
International Programs

Tennessee is one of the fastest growing export states in the nation and one of the best ways communities can help their hometown companies create new jobs is by helping them access new global markets. But where do you begin? What markets hold the greatest potential? And how do you find a distributor or a trade show that can help you make the right decision?

The state of Tennessee partners with the U.S. Department of Commerce's Foreign Commercial Service to help companies walk through this process.

For more information, call the U.S. Export Assistance Center at (615) 736-2224.





Tennessee researchers are looking at poplar trees as a source of fuel.



GREEN HAS NEW MEANING IN TENNESSEE.

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